

Message Text

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PAGE 01 LONDON 10617 101743Z

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TAGS: PGOV, PINT, EGEN, UK

SUBJECT: GOVERNMENT WORKS ON ANTI-INFLATION PROPOSALS

REF: LONDON 10485

SUMMARY: CABINET MET MORNING OF JULY 10 TO REVIEW ANTI-INFLATION WHITE PAPER WHICH WILL BE PRESENTED TO COMMONS MORNING OF JULY 11. WHILE GOVERNMENT'S POLICY PAPER IS EXPECTED TO ENDORSE VOLUNTARY WAGE POLICY GUIDELINES APPROVED BY TUC JULY 9 (SEPTTEL), IT WILL PROBABLY PROVIDE
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PAGE 02 LONDON 10617 101743Z

RESERVE POWERS TO SANCTION VIOLATIONS OF THESE GUIDELINES.

ENABLING LEGISLATION IS EXPECTED TO BE PUBLISHED NEXT WEEK, WITH COMMONS DEBATE SLATED TO BEGIN JULY 21. OUR TENTATIVE ASSESSMENT IS THAT GOVERNMENT'S ANTI-INFLATION PACKAGE WILL BE PASSED QUICKLY, BUT NOT WITHOUT DISSENT FROM PARLIAMENTARY LABOR PARTY LEFT-WING AND SOME OPPOSITION OF CONSERVATIVES. END SUMMARY.

1. LABOR CABINET MET JULY 10 TO REVIEW CHANCELLOR HEALEY'S ANTI-INFLATION WHITE PAPER, WHICH IS SCHEDULED TO BE PUBLISHED AND PRESENTED TO COMMONS MORNING OF JULY 11, IN DRAFT FORM. WE UNDERSTAND DRAFT IS BEING CLOSELY SCRUTINIZED AND MAY BE AMENDED IN COURSE OF CABINET REVIEW. MAJOR SOURCES OF CONTENTION CONTINUE TO BE EXTENT TO WHICH ENFORCEMENT OF INCOMES POLICY WILL BE BACKED BY STATUTORY AUTHORITY, AND WHETHER SANCTIONS OF VIOLATIONS WILL BE DIRECTED ONLY AT EMPLOYERS OR WILL INCLUDE UNIONS AS WELL. ALTHOUGH GOVERNMENT IS EXPECTED TO ENDORSE VOLUNTARY WAGE POLICY APPROVED BY TUC JULY 9 (SEPTTEL), NARROW MARGIN OF TUC VOTE APPEARS TO HAVE ASSURED SUBSTANTIAL CABINET MAJORITY IN FAVOR OF RESERVE POWERS TO SANCTION "ROGUE" EMPLOYERS. IT IS UNLIKELY RESERVE POWERS ARRANGEMENT WILL PRECIPITATE CABINET RESIGNATIONS AS HAD BEEN SUGGESTED EARLIER (EMPLOYMENT MINISTER FOOT SAID AS MUCH YESTERDAY--SEPTTEL), AND SOME MEMBERS OF CABINET REPORTEDLY FAVOR TOUGHER, MORE IMMEDIATE STATUTORY POWERS. ACCORDING TO MOST PRESS REPORTS, ONCE LEGISLATION IS PASSED, FURTHER PARLIAMENTARY ACTION WOULD NOT BE REQUIRED TO TRIGGER RESERVE POWERS.

2. GOVERNMENT IS ALSO WORKING ON ENABLING LEGISLATION WHICH IT HOPES TO PUBLISH DURING COMING WEEK, WITH DEBATE SCHEDULED TO BEGIN JULY 21. LEFT-WING OF PLP IS EXPECTED TO SPEAK AGAINST RESERVE POWERS, BUT BARRING CABINET RESIGNATIONS OR OVERT TUC OPPOSITION, NEITHER OF WHICH APPEARS LIKELY, SUCH ACTIONS WILL BE RITUALISTIC. PLP DISSIDENTS MAY ALSO SEEK TO STRENGTHEN GOVERNMENT'S PRICE CONTROL PROPOSALS, BUT IN CRUNCH THEY WILL ALMOST CERTAINLY AVOID ANY ACTION WHICH WOULD DEFEAT GOVERNMENT'S ANTI-INFLATION INITIATIVE.

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PAGE 03 LONDON 10617 101743Z

3. POSTURE OF CONSERVATIVES IS EXPECTED TO BE SIMILAR. SOME TORIES ARE KNOWN TO BELIEVE GOVERNMENT PROPOSALS FOR RESERVE POWERS ARE NOT SUFFICIENT TO RESTORE INTERNATIONAL CONFIDENCE AND CONTROL INFLATION, WHILE OTHERS OBJECT TO APPLICATION OF SANCTIONS ONLY TO EMPLOYERS AND TO ANY TOUGHENING OF CURRENT PRICE CONTROLS. CONSERVATIVE PARTY POSTURE WILL, IN PART, HINGE ON DETAILS OF WHITE PAPER, BUT WILL BE HEAVILY INFLUENCED BY THEIR CONTINUED WISH

TO AVOID DEFEATING WILSON GOVERNMENT ON MAJOR POLICY IS-
SUE. THUS, WHILE WE ANTICIPATE TORIES WILL OPPOSE DIS-
CRETE ELEMENTS OF WHITE PAPER AND CALL FOR TOUGHER ANTI-
INFLATION MEASURES, THEY WILL NOT VOTE AGAINST GOVERNMENT
ON MAIN MOTION IF THERE IS A CHANCE THEIR VOTES WOULD
PROVE DECISIVE.

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